

Subpart E--Rate of Return Reports

§ 65.600 Rate of return reports.

(a) Subpart E shall apply to those interstate communications common carriers and local exchange carriers that are so designated by Commission order and shall only apply to incumbent local exchange carriers subject to price cap regulation, as specified in § XX of this chapter, in cases where a lower formula adjustment (LFAM) is necessary.

(b)(1) Each incumbent local exchange carrier or group of affiliated carriers subject to §XX of this chapter shall file with the Commission within three (3) months after the end of each calendar year a report of its total interstate rate of return for that year. Such filings shall include a report of the total revenues, total expenses and taxes, operating income, and the rate base. Reports shall be filed on the appropriate form prescribed by the Commission (see § 1.795 of this chapter) and shall provide full and specific answers to all questions propounded and information requested in the currently effective form. The number of copies to be filed shall be specified in the applicable report form. At least one copy of the report shall be retained in the principal office of the respondent and shall be filed in such manner as to be readily available for reference and inspection.

(2) Each incumbent local exchange carrier or group of affiliated carriers subject to §XX of this chapter shall file with the Commission within fifteen (15) months after the end of each calendar year a report reflecting any corrections or modifications to the report filed pursuant to paragraph (b)(1) of this section. Reports shall be filed on the appropriate form prescribed by the Commission (see § 1.795 of this chapter) and shall provide full and specific answers to all questions propounded and information requested in the currently effective form. The number of copies to be filed shall be specified in the applicable report form. At least one copy of the report shall be retained in the principal office of the respondent and shall be filed in such manner as to be readily available for reference and inspection.

[52 FR 274, Jan. 5, 1987, as amended at 54 FR 19844, May 8, 1989; 55 FR 42385, Oct. 19, 1990; 56 FR 21617, May 10, 1991; 62 FR 5166, Feb. 4, 1997]

Subpart F--Maximum Allowable Rates of Return

§ 65.700 Determining the maximum allowable rate of return.

(a) The maximum allowable rate of return for any exchange carrier's overall interstate earnings for all access service elements in the aggregate shall be determined by adding a fixed increment of one-quarter of one percent to the local exchange carrier prescribed rate of return.

(b) The maximum allowable rate of return for rates filed by local exchange carriers subject to § 61.72 of this chapter, shall be determined by adding a fixed increment of one and one-half percent to the local exchange carrier prescribed rate of return.

[51 FR 11034, Apr. 1, 1986, as amended at 58 FR 36149, July 6, 1993; 60 FR 28546, June 1, 1995]

§ 65.701 Period of review.

For both exchange and interexchange carriers subject to this part, interstate earnings shall be measured over a two year period to determine compliance with the maximum allowable rate of return. The review periods shall commence on January 1 in odd-numbered years and shall end on December 31 in even-numbered years.

[60 FR 28546, June 1, 1995]

§ 65.702 Measurement of interstate service earnings.

(a) For local exchange carriers, overall interstate earnings shall be measured for purposes of determining compliance with the maximum allowable rate of return. The Billing and Collection element shall not be included for purposes of this part.

(b) For local exchange carriers, earnings shall be measured for purposes of determining compliance with the maximum allowable rates of return separately for each study area; provided, however, that if the carrier has filed or concurred in access tariffs aggregating costs and rates for two or more study areas, the earnings will be determined for the aggregated study areas rather than for each study area separately. If an exchange carrier has not utilized the same level of study area aggregation during the entire two-year earnings review period, then the carrier's earnings will be measured for the entire two-year period on the basis of the tariffs in effect at the end of the second year of the two-year review period; provided, however,

that if tariffs representing a higher level of study area aggregation were not in effect for at least eight months in the second year, then the carrier's earnings will be measured on the basis of the study area level of aggregation in effect for the majority of the two-year period; provided further, that any carrier that was not a member of the National Exchange Carrier Association or other voluntary pools for both years of the two-year review period will have its earnings reviewed individually for the full two-year period.

[51 FR 11034, Apr. 1, 1986, as amended at 57 FR 54719, Nov. 20, 1992; 58 FR 48763, Sept. 17, 1993; 60 FR 28546, June 1, 1995]

Subpart G--Rate Base

Source: 53 FR 1029, Jan. 15, 1988, unless otherwise noted.

§ 65.800 Rate base.

The rate base shall consist of the interstate portion of the accounts listed in § 65.820 that has been invested in plant used and useful in the efficient provision of interstate telecommunications services regulated by this Commission, minus any deducted items computed in accordance with § 65.830.

§ 65.810 Definitions.

As used in this subpart "account xxxx" means the account of that number kept in accordance with the Uniform System of Accounts for Class A and Class B Telecommunications Companies in 47 CFR part 32.

§ 65.820 Included items.

(a) Telecommunications Plant. The interstate portion of all assets summarized in Account 2001 (Telecommunications Plant in Service) and Account 2002 (Property Held for Future Use), net of accumulated depreciation and amortization, and Account 2003 (Telecommunications Plant Under Construction), and, to the extent such inclusions are allowed by this Commission, Account 2005 (Telecommunications Plant Adjustment), net of accumulated amortization. Any interest cost for funds used during construction capitalized on assets recorded in these accounts shall be computed in accordance with the procedures in § 32.2000(c)(2)(x) of this chapter.

(b) Material and Supplies. The interstate portion of assets summarized in Account 1220.1 (Material and Supplies).

(c) Noncurrent Assets. The interstate portion of Class B Rural Telephone Bank stock contained in Account 1402 (Investment in Nonaffiliated Companies) and the interstate portion of assets summarized in Account 1410 (Other Noncurrent Assets), Account 1438 (Deferred Maintenance and Retirements), and Account 1439 (Deferred Charges) only to the extent that they have been specifically approved by this Commission for inclusion. Otherwise, the amounts in accounts 1401-1500 shall not be included.

(d) Cash Working Capital. The average amount of investor-supplied capital needed to provide funds for a carrier's day-to-day interstate operations. Class A carriers may calculate a cash working capital allowance either by performing a lead-lag study of interstate revenue and expense items or by using the formula set forth in paragraph (e) of this section. Class B carriers, in lieu of performing a lead-lag study or using the formula in paragraph (e) of this section, may calculate the cash working capital allowance using a standard allowance which will be established annually by the Chief, Common Carrier Bureau. When either the lead-lag study or formula method is used to calculate cash working capital, the amount calculated under the study or formula may be increased by minimum bank balances and working cash advances to determine the cash working capital allowance. Once a carrier has selected a method of determining its cash working capital allowance, it shall not change to an optional method from one year to the next without Commission approval.

(e) In lieu of a full lead-lag study, carriers may calculate the cash working capital allowance using the following formula.

- (1) Compute the weighted average revenue lag days as follows:
 - (i) Multiply the average revenue lag days for interstate revenues billed in arrears by the percentage of interstate revenues billed in arrears.
 - (ii) Multiply the average revenue lag days for interstate revenues billed in advance by the percentage of interstate revenues billed in advance. (Note: a revenue lead should be shown as a negative lag.)
 - (iii) Add the results of paragraphs (e)(1)(i) and (ii) of this section to determine the weighted average revenue lag days.
- (2) Compute the weighted average expense lag days as follows:
 - (i) Multiply the average lag days for interstate expenses (i.e., cash operating expenses plus interest) paid in arrears by the percentage of interstate expenses paid in arrears.
 - (ii) Multiply the average lag days for interstate expenses paid in advance by the percentage of interstate expenses paid in advance. (Note: an expense lead should be shown as a negative lag.)

- (iii) Add the results of paragraphs (e)(2)(i) and (ii) of this section to determine the weighted average expense lag days.
- (3) Compute the weighted net lag days by deducting the weighted average expense lag days from the weighted average revenue lag days.
- (4) Compute the percentage of a year represented by the weighted net lag days by dividing the days computed in paragraph (e)(3) of this section by 365 days.
- (5) Compute the cash working capital allowance by multiplying the interstate cash operating expenses (i.e., operating expenses minus depreciation and amortization) plus interest by the percentage computed in paragraph (e)(4) of this section.

[54 FR 9048, Mar. 3, 1989, as amended at 60 FR 12139, Mar. 6, 1995]

§ 65.830 Deducted items.

- (a) The following items shall be deducted from the interstate rate base.
 - (1) The interstate portion of deferred taxes (Accounts 4100 and 4340).
 - (2) The interstate portion of customer deposits (Account 4040).
 - (3) The interstate portion of other long-term liabilities (Account 4310) that were derived from the expenses specified in § 65.450(a).
 - (4) The interstate portion of other deferred credits (Account 4360) to the extent they arise from the provision of regulated telecommunications services. This shall include deferred gains related to sale-leaseback arrangements.
- (b) The interstate portion of deferred taxes, customer deposits and other deferred credits shall be determined as prescribed by 47 CFR part 36.
- (c) The interstate portion of other long-term liabilities (Account 4310) shall bear the same proportionate relationships as the interstate/intrastate expenses which gave rise to the liability.

[54 FR 9049, Mar. 3, 1989, as amended at 62 FR 15118, Mar. 31, 1997]

PART 69

**USTA
BIENNIAL REVIEW PETITION
SEPTEMBER 30, 1998**

Rule	Action	Justification
	PART 69 -ACCESS CHARGES FOR NON-PRICE CAP ILECS	Part 69 is modified to be applicable to non-price cap ILECs only. Appropriate portions of Part 69 are duplicated or removed and placed in new Part XX for price cap ILECs.
69.1 (a) & (b)	<u>Application of access charges.</u> Duplicate and include in Part XX. Revised to make applicable to ROR ILECs only.	Duplicate appropriate portions of Subpart A for price cap LECs in Part XX. Makes USTA ROR Access Reform Team recommendations.
69.1 (c)	<u>Application of access charges.</u> Section deleted.	All price cap rules incorporated into Part XX.
69.2	<u>Definitions.</u> Duplicate and include in Part XX.	Duplicate appropriate definitions for price cap LECs in Part XX.
69.2 (t), (u), (v), (w), (y), (bb)(1)(ii), (ll), (nn), (oo), (qq), (ss), (tt), (uu), (vv)	<u>Definitions.</u> Delete definitions. Revise (bb)(1) reference to MFJ.	Deletes obsolete definitions and changes MFJ to AT&T Consent Decree.
69.3	<u>Filing of access service tariffs.</u> Section deleted and incorporated in Part 61.15 and 61.50.	All tariff requirements are consolidated in Part 61 rules.
New 69.3	<u>Access elements.</u> Defines ROR ILEC access elements.	Makes USTA ROR Access Reform Team recommendations.

Rule	Action	Justification
69.4	<u>Charges to be filed.</u> Section deleted. Eliminates detail rate element codification, old USF requirements and public interest petition requirement for establishing new rate elements.	Makes USTA Price Cap and ROR Access Reform Team recommendations.
New 69.4	<u>Services excluded from revenue requirement calculations.</u> Excludes contract services, special construction services and ICB services from revenue requirement calculations.	Makes USTA ROR Access Reform Team recommendations.
69.5 (d)	<u>Persons to be assessed.</u> Deletes old USF requirements.	Replaced by Part 54.
	<u>Subpart B - Computation of Charges for Non-Price Cap ILECs</u> Revise title to apply only to ROR ILECs.	Part 69 applies exclusively to non-price cap ILECs.
69.101	<u>General.</u> Delete reference to Subpart C.	All price cap rules incorporated into Part XX.
69.104 now 69.102	<u>End user common line for non-price cap incumbent local exchange carriers.</u> Section 69.104 deleted and replaced by 69.102 and is modeled after current section 69.152 for price cap LECs. Eliminates the distinction between primary and non-primary residence lines.	Makes USTA ROR Access Reform Team recommendations.

Rule	Action	Justification
New 69.103	<u>Presubscribed interexchange carrier charge (PICC) for non-price cap incumbent local exchange carriers.</u> Adds new PICC rules for ROR ILECs. Modeled after current section 69.153. Eliminates the distinction between primary and non-primary residence lines.	Makes USTA ROR Access Reform Team recommendations.
69.105	<u>Carrier common line for non-price cap local exchange carriers.</u> Revised and replaced by new per-minute CCL section based on current 69.154.	Makes USTA ROR Access Reform Team recommendations.
69.106	<u>Local Switching.</u> Revised section includes charges to recover the Switching revenue requirement and provides greater flexibility. Deletes section (d), (e), (f) and (g) unnecessary requirements and price cap rules.	Makes USTA ROR Access Reform Team recommendations. All price cap rules incorporated into Part XX.
New 69.107	<u>Transport Charges.</u> New section includes charges to recover the Transport revenue requirement.	Makes USTA ROR Access Reform Team recommendations.
69.108	<u>Transport rate benchmark.</u> Section deleted. Detail rate element codification eliminated.	Makes USTA ROR Access Reform Team recommendations.
69.109	<u>Information.</u> Section deleted. Detail rate element codification eliminated.	Makes USTA ROR Access Reform Team recommendations.

Rule	Action	Justification
69.110	<u>Entrance Facilities.</u> Section deleted. Detail rate element codification eliminated.	Makes USTA ROR Access Reform Team recommendations.
69.111	<u>Tandem-switched transport and tandem charge.</u> Section deleted. Detail rate element codification eliminated.	Makes USTA ROR Access Reform Team recommendations.
69.112	<u>Direct-trunked transport.</u> Section deleted. Detail rate element codification eliminated.	Makes USTA ROR Access Reform Team recommendations.
69.113 now 69.108	<u>Non-premium charges for MTS-WATS equivalent services.</u> Revises and renumbers section. Eliminates price cap rules and references to deleted sections.	Makes USTA ROR Access Reform Team recommendations. All price cap rules incorporated into Part XX.
69.114	<u>Special access.</u> Section deleted. Detail rate element codification eliminated.	Makes USTA ROR Access Reform Team recommendations.
69.115 now 69.109	<u>Special access surcharges.</u> Section revised to eliminate detail rate element codification and obsolete requirements.	Makes USTA ROR Access Reform Team recommendations.
69.116	<u>Universal Service Fund.</u> Section deleted.	Replaced by Part 54.

Rule	Action	Justification
69.117	<u>Lifeline assistance.</u> Section deleted.	Replaced by Part 54.
69.118 now 69.110	<u>Traffic sensitive switched services.</u> Title changed to "Basic service elements for switched services." Section revised to eliminate detail rate element codification and obsolete requirements.	Makes USTA ROR Access Reform Team recommendations.
69.119	<u>Basic service element expedited approval process.</u> Section deleted. Eliminates unnecessary rule.	Makes USTA ROR Access Reform Team recommendations.
69.120	<u>Line information database.</u> Section deleted. Detail rate element codification eliminated.	Makes USTA ROR Access Reform Team recommendations.
69.121 now 69.111	<u>Connection charges for expanded interconnection.</u> Eliminates language referencing special access and switched transport.	Makes USTA ROR Access Reform Team recommendations.
69.123	<u>Density pricing zones for special access and switched transport.</u> Section deleted and replaced by 69.130, Zone Pricing.	Makes USTA ROR Access Reform Team recommendations.
69.124	<u>Interconnection charge.</u> Section deleted. Detail rate element codification eliminated.	Makes USTA ROR Access Reform Team recommendations.

Rule	Action	Justification
69.125	<u>Dedicated signalling transport.</u> Section deleted. Detail rate element codification eliminated.	Makes USTA ROR Access Reform Team recommendations.
69.126	<u>Nonrecurring charges.</u> Section deleted. Detail rate element codification eliminated.	Makes USTA ROR Access Reform Team recommendations.
69.127	<u>Transitional Equal Charge Rule.</u> Section deleted.	Deletes obsolete rule.
69.128	<u>Billing name and address.</u> Section deleted. Detail rate element codification eliminated.	Makes USTA ROR Access Reform Team recommendations.
69.129	<u>Signalling for tandem switching.</u> Section deleted. Detail rate element codification eliminated.	Makes USTA ROR Access Reform Team recommendations.
New 69.130	<u>Zone pricing.</u> Adds new zone pricing section.	Makes USTA ROR Access Reform Team recommendations.
	Subpart C - Computation of Charges for Price Cap Local Exchange Carriers Subpart deleted.	All price cap rules incorporated into Part XX.
69.151	<u>Applicability.</u> Section deleted.	All price cap rules incorporated into Part XX.
69.152	<u>End user common line for price cap local exchange carriers.</u> Section deleted.	All price cap rules incorporated into Part XX.

Rule	Action	Justification
69.153	<u>Presubscribed interexchange carrier charge (PICC).</u> Section deleted.	All price cap rules incorporated into Part XX.
69.154	<u>Per-minute carrier common line charge.</u> Section deleted.	All price cap rules incorporated into Part XX.
69.155	<u>Per-minute residual interconnection charge.</u> Section deleted.	All price cap rules incorporated into Part XX.
69.156	<u>Marketing expenses.</u> Section deleted.	All price cap rules incorporated into Part XX.
69.157	<u>Line port costs in excess of basic, analog service.</u> Section deleted.	All price cap rules incorporated into Part XX.
	Subpart D - Apportionment of Net Investment Subpart relettered as Subpart C.	Subpart relettered as a result of current Subpart C being deleted.
69.301 now 69.201	<u>General.</u> Revises the apportionment of net investment to be among the IX and B & C categories and the access elements - Common Line, Switching, Transport, and Other.	Makes USTA ROR Access Reform Team recommendations.

Rule	Action	Justification
69.302 now 69.202	<u>Net Investment.</u> Revises the apportionment of net investment to be among the IX and B & C categories and the access elements - Common Line, Switching, Transport, and Others.	Makes USTA ROR Access Reform Team recommendations.
69.303 now 69.203	<u>Information origination/termination equipment (IOT)</u> Revises the apportionment of IOT investment from the Special Access element to the Transport element.	Makes USTA ROR Access Reform Team recommendations.
69.304 now 69.204	<u>Subscriber line cable and wire facilities.</u> Revises the assignment of private line and WATS access line investment from the Special Access element to the Transport element.	Makes USTA ROR Access Reform Team recommendations.
69.305 now 69.205	<u>Carrier cable and wire facilities (C&WF).</u> Revises the assignment of C&WF investment to the IX category and to the Switching and Transport elements, as appropriate.	Makes USTA ROR Access Reform Team recommendations.
69.306 now 69.206	<u>Central office equipment (COE).</u> Revises the apportionment of COE investment to the Switching and Transport elements and to the IX and B & C categories, as appropriate. Eliminates line side port cost assignment for price cap LECs. Changes reference to MFJ to the AT&T Consent Decree.	Makes USTA ROR Access Reform Team recommendations. All price cap rules incorporated into Part XX.

Rule	Action	Justification
69.307 now 69.207	<u>General support facilities.</u> Revises the assignment of GSF investment to the IX and B & C categories and the Common Line, Switching, and Transport elements, as appropriate. Eliminates GSF assignment for price cap LECs.	Makes USTA ROR Access Reform Team recommendations. All price cap rules incorporated into Part XX.
69.309 now 69.208	<u>Other investment.</u> Revises the apportionment of other investment to be among the IX and B & C categories and the access elements - Common Line, Switching, Transport, and Other.	Makes USTA ROR Access Reform Team recommendations.
69.310 now 69.209	<u>Capital leases.</u> Revises the assignment of capital leases to the IX category and to the Common Line, Switching, and Transport elements.	Makes USTA ROR Access Reform Team recommendations.
	Subpart E - Apportionment of Expenses Subpart relettered as Subpart D.	Subpart relettered as a result of current Subpart C being deleted.
69.401 now 69.301	<u>Direct expenses.</u> Revises the apportionment of Direct expenses to be among the IX and B & C categories and the access elements - Common Line, Switching, Transport, and Other.	Makes USTA ROR Access Reform Team recommendations.
69.402 now 69.302	<u>Operating taxes (Account 7200).</u> Revises the apportionment of operating taxes to be among the IX and B & C categories and the access elements - Common Line, Switching, Transport, and Other.	Makes USTA ROR Access Reform Team recommendations.

Rule	Action	Justification
69.403 now 69.303	<u>Marketing expense (Account 6610).</u> Revises the apportionment of marketing expense to the IX category and to the Common Line, Switching, and Transport elements, as appropriate.	Makes USTA ROR Access Reform Team recommendations.
69.404 now 69.304	<u>Telephone operator services expenses in Account 6620.</u> Revises the apportionment of operator services expenses to the IX category and to the Switching element.	Makes USTA ROR Access Reform Team recommendations.
69.405 now 69.305	<u>Published directory expenses in Account 6620.</u> Revises the assignment of published directory expenses from the Information element to the Switching element.	Makes USTA ROR Access Reform Team recommendations.
69.406 now 69.306	<u>Local business office expenses in Account 6620.</u> Revises the assignment of local business office expenses to the IX and B & C categories and to the Common Line, Switching, Transport, and Others elements, as appropriate.	Makes USTA ROR Access Reform Team recommendations.
69.407 now 69.307	<u>Revenue accounting expenses in Account 6620.</u> Revises the assignment of revenue accounting expenses to the IX and B & C categories and to the Common Line, Switching, and Transport elements, as appropriate.	Makes USTA ROR Access Reform Team recommendations.

Rule	Action	Justification
69.408 now 69.308	<u>All other customer services expense in Account 6620.</u> Revises the assignment of all other customer services expenses to the IX and B & C categories and to the Common Line, Switching, and Transport elements.	Makes USTA ROR Access Reform Team recommendations.
69.409 now 69.309	<u>Corporate operations expenses (Accounts 6710 and 6720).</u> Revises the assignment of all corporate operations expenses to the IX and B & C categories and to the Common Line, Switching, and Transport elements.	Makes USTA ROR Access Reform Team recommendations.
69.411 now 69.310	<u>Other expense.</u> Revises the assignment of all other expenses to the IX category and to the Common Line, Switching, and Transport elements.	Makes USTA ROR Access Reform Team recommendations.
69.412 now 69.311	<u>Non participating company payments/receipts.</u> Revises reference to deleted USF rules in Part 69 to Part 54.	Replaced by Part 54.
69.413	<u>Universal service fund expenses.</u> Section deleted.	Replaced by Part 54.
69.414	<u>Lifeline assistance expenses.</u> Section deleted.	Replaced by Part 54

Rule	Action	Justification
	Subpart F - Segregation of Common Line Element Revenue Requirement Subpart deleted.	The rules in this Subpart are obsolete or are replaced by new or revised common line rules for ROR ILECs. There is no longer a need to segregate CPE or inside wire costs for CCL. The assignment of the common line revenue requirement is now addressed in new Subpart B rules.
69.501	<u>General.</u> Section deleted.	Sections 69.501(b) and (c) are obsolete. There is no longer a need to segregate CPE or inside wire costs for CCL. The assignment of the common line revenue requirement for ROR ILECs is now addressed in new or revised sections 69.102, 69.103 and 69.105 in Subpart B.
69.502	<u>Base factor allocation.</u> Section deleted.	The end user common line revenue requirement for ROR ILECs is now addressed in section 69.102.
	Subpart G - Exchange Carrier Association Subpart relettered as Subpart E.	Subpart relettered as a result of current Subparts C and F being deleted.
69.600 now 69.401	<u>Definitions.</u> Changes USF references in Part 69 to Part 54.	Replaced by Part 54.
69.601 now 69.402	<u>Exchange carrier association.</u> Renumbers section. No change in content.	Section renumbered.
69.602 now 69.403	<u>Board of directors.</u> Renumbers section. No change in content.	Section renumbered.
69.603 now 69.404	<u>Association functions.</u> Renumbers section and changes USF references in Part 69 to Part 54.	Section renumbered. USF requirements replaced by Part 54.

Rule	Action	Justification
69.604 now 69.405	<u>Billing and collection of access charges.</u> Renumbers section and changes USF references in Part 69 to Part 54.	Section renumbered. USF requirements replaced by Part 54.
69.605 now 69.406	<u>Reporting and distribution of pool access revenues.</u> Renumbers section. No change in content.	Section renumbered.
69.606 now 69.407	<u>Computation of average schedule company payments.</u> Renumbers section. No change in content.	Section renumbered.
69.607 now 69.408	<u>Disbursement of carrier common line residue.</u> Renumbers section. No change in content.	Section renumbered.
69.608 now 69.409	<u>Carrier common line hypothetical net balance.</u> Renumbers section. Deletes reference to current Subpart F.	Section renumbered. Subpart F is deleted.
69.609 now 69.410	<u>End user common line hypothetical net balances.</u> Renumbers section. Deletes reference to current Subpart F.	Section renumbered. Subpart F is deleted.
69.610 now 69.411	<u>Other hypothetical net balances.</u> Renumbers section. No change in content.	Section renumbered.

Rule	Action	Justification
69.611	<u>Effect of optional alternative carrier common line tariff provisions and end user common line surcharges.</u> Section deleted.	Deletes obsolete rules.
69.612	<u>Long term and transitional support.</u> Section deleted.	Replaced by Part 54.
69.613	<u>Temporary administrator of universal service support mechanisms.</u> Section deleted.	Replaced by Part 54.
69.614	<u>Independent subsidiary Board of Directors.</u> Section deleted.	Replaced by Part 54.
69.615	<u>High Cost and Low Income Committee.</u> Section deleted.	Replaced by Part 54.
69.616	<u>Independent subsidiary functions.</u> Section deleted.	Replaced by Part 54.
69.617	<u>Schools and Libraries Corporation and Rural Health Care Corporation.</u> Section deleted.	Replaced by Part 54.
69.618	<u>Rural Health Care Corporation functions.</u> Section deleted.	Replaced by Part 54.
69.619	<u>Schools and Libraries Corporation functions.</u> Section deleted.	Replaced by Part 54.

Rule	Action	Justification
69.620	<u>Administrative expenses of independent subsidiary, Schools and Libraries Corporation, and Rural Health Care Corporation.</u> Section deleted.	Replaced by Part 54.
69.621	<u>Audits of independent subsidiary, Schools and Libraries Corporation, and Rural Health Care Corporation.</u> Section deleted.	Replaced by Part 54.
69.622	<u>Transition to the permanent Administrator.</u> Section deleted.	Replaced by Part 54.
New	Subpart F - Competitive Responses by Non-Price Cap ILECs Subpart F added.	Subpart F is added to address competition and to provide additional pricing flexibility and nondominance for ROR ILECs, as proposed by the USTA ROR Access Reform Team.
New 69.501	<u>Voluntary network opening by non-price cap incumbent local exchange carriers.</u> New section allows ROR ILECs to voluntarily open their network by publishing a list of UNEs consistent with Part 51 and by committing to provide LNP to any competitive entrant in a timely manner consistent with state approved interconnection agreements. ROR ILECs which comply with this new section will be allowed to tariff and price interstate services on an ICB basis and permitted to file contract-based tariffs.	New section addresses competition and provides additional pricing flexibility for ROR ILECs, as proposed by the USTA ROR Access Reform Team.

Rule	Action	Justification
New 69.502	<p data-bbox="459 261 1012 360"><u>Regulatory status of non-price cap incumbent local exchange carriers subject to competition.</u></p> <p data-bbox="459 365 1012 464">New section codifies the nondominant status of ROR ILECs which have obtained state-approved interconnection agreements.</p>	New section provides nondominant status for ROR ILECs, as proposed by the USTA ROR Access Reform Team.

USTA BIENNIAL REVIEW PROPOSAL

CODE OF FEDERAL REGULATIONS

TITLE 47 - TELECOMMUNICATIONS

CHAPTER I

FEDERAL COMMUNICATIONS COMMISSION

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exchange carriers subject to competition

Subpart A - General

§ 69.1 Application of access charges.

(a) This Part establishes rules for access charges for interstate or foreign access services provided by incumbent local exchange carriers not subject to price cap regulation.

(b) Charges for such access service shall be computed, assessed and collected and revenues from such charges shall be distributed as provided in this Part. Access service tariffs shall be filed and supported as provided under Part 61 of this chapter.

§ 69.2 Definitions.

For purposes of this part:

(a) "Access Minutes" or "Access Minutes of Use" is that usage of exchange facilities in interstate or foreign service for the purpose of calculating chargeable usage. On the originating end of an interstate or foreign call, usage is to be measured from the time the originating end user's call is delivered by the telephone company and acknowledged as received by the interexchange carrier's facilities connected with the originating exchange. On the terminating end of an interstate or foreign call, usage is to be measured from the time the call is received by the end user in the terminating exchange. Timing of usage at both the originating and terminating end of an interstate or foreign call shall terminate when the calling or called party disconnects, whichever event is recognized first in the originating and terminating end exchanges as applicable;

(b) "Access Service" includes services and facilities provided for the origination or termination of any interstate or foreign telecommunication;

(c) "Annual revenue requirement" means the sum of the return component and the expense component;

(d) "Association" means the telephone company association described in Subpart E of this Part;

(e) "Big Three Expenses" are the combined expense groups comprising: Plant Specific Operations Expense, Accounts 6110, 6120, 6210, 6220, 6230, 6310 and 6410; Plant Nonspecific Operations Expenses, Accounts 6510, 6530 and 6540, and Customer Operations Expenses, Accounts 6610 and 6620;

(f) "Big Three Expense Factors" are the ratios of the sum of Big Three Expenses apportioned to each element or category to the combined Big Three Expenses.

(g) "Cable and Wire Facilities" includes all equipment or facilities that are described as cable and wire facilities in the Separations Manual and included in Account 2410;

(h) "Carrier Cable and Wire Facilities" means all cable and wire facilities that are not subscriber line cable and wire facilities;

(i) "Central Office Equipment" or "COE" includes all equipment or facilities that are described as Central Office Equipment in the Separations Manual and included in Accounts 2210, 2220 and 2230;

(j) "Corporate Operations Expenses" include Executive and planning Expenses (Account 6710) and General and Administrative Expenses (Account 6720);

(k) "Customer Operations Expenses" include Marketing and Services expenses in Accounts 6610 and 6620, respectively;

(l) "Direct Expense" means expenses that are attributable to a particular category or categories of tangible investment described in Subpart C of this Part and includes:

(1) Plant Specific Operations expenses in Accounts 6110, 6120, 6210, 6220, 6230, 6310 and 6410;

(2) Plant Nonspecific Operations Expenses in Accounts 6510, 6530, 6540 and 6560;

(m) "End User" means any customer of an interstate or foreign telecommunications service that is not a carrier except that a carrier other than a telephone company shall be deemed to be an "end user" when such carrier uses a telecommunications service for administrative purposes and a person or entity that offers telecommunications services exclusively as a reseller shall be deemed to be an "end user" if all resale transmissions offered by such reseller originate on the premises of such reseller;

(n) "Entry Switch" means the telephone company switch in which a transport line or trunk terminates;

(o) "Expense Component" means the total expenses and income charges for an annual period that are attributable to a particular element or category;

(p) "Expenses" include allowable expenses in the Uniform System of Accounts, Part 32, apportioned to interstate or international services pursuant to the Separations Manual and allowable income charges apportioned to interstate and international services pursuant to the Separations Manual;

(q) "General Support Facilities" include buildings, land, vehicles, aircraft, work equipment, furniture, office equipment and general purpose computers as described in the Separations Manual and included in Account 2110;

(r) "Information Origination/Termination Equipment" includes all equipment or facilities that are described as information origination/termination equipment in the Separations Manual and in Account 2310 except information origination/termination equipment that is used by telephone companies in their own operations;

(s) "Interexchange" or the "interexchange category" includes services or facilities provided as an integral part of interstate or foreign telecommunications that is not described as "access service" for purposes of this Part;

(t) "Line" or "Trunk" includes, but is not limited to, transmission media such as radio, satellite, wire, cable and fiber optic means of transmission;

(u) "Net Investment" means allowable original cost investment in Accounts 2001 through 2003, 1220 and 1402 that has been apportioned to interstate and foreign services pursuant to the Separations Manual from which depreciation, amortization and other reserves attributable to such investment that has been apportioned to interstate and foreign services pursuant to the Separations Manual have been subtracted and to which working capital that is attributable to interstate and foreign services has been added;

(v) "Operating Taxes" include all taxes in Account 7200;

(w) "Origination" of a service that is switched in a Class 4 switch or an interexchange switch that performs an equivalent function ends when the transmission enters such switch and "termination" of such a service begins when the transmission leaves such a switch, except that:

(1) Switching in a Class 4 switch or transmission between Class 4 switches that is not deemed to be interexchange for purposes of the AT&T Consent Decree, as defined in the Communications Act of 1934, will be "origination" or termination" for purposes of this Part, and

(2) "Origination" and "Termination" does not include the use of any part of a line, trunk or switch that is not owned or leased by a telephone company;

(x) "Origination" of any service other than a service that is switched in a Class 4 switch or a switch that performs an equivalent function ends and "termination" of any such service begins at a point of demarcation that corresponds with the point of demarcation that is used for a service that is switched in a Class 4 switch or a switch that performs an equivalent function;

(y) "Private Line" means a line that is used exclusively for an interexchange service other than MTS, WATS or an MTS-WATS equivalent service, including a line that is used at the closed end of an FX, WATS or CCSA service or any service that is substantially equivalent to a CCSA service;

(z) "Public Telephone" is a telephone provided by a telephone company through which an end user may originate interstate or foreign telecommunications for which he pays with coins or by credit card, collect or third number billing procedures;

(aa) "Return Component" means net investment attributable to a particular element or category multiplied by the authorized annual rate of return;

(bb) "Subscriber Line Cable and Wire Facilities" means all lines or trunks on the subscriber side of a Class 5 or end office switch, including lines or trunks that do not terminate in such a switch, except lines or trunks that connect an interexchange carrier;

(cc) "Telephone Company" or "local exchange carrier" as used in this part means an incumbent local carrier as defined in Sections 251(h)(1) of the 1934 Act as amended by the 1996 Act.

(dd) "Unit of Capacity" means the capability to transmit one conversation;

(ee) "WATS Access Line" means a line or trunk that is used exclusively for WATS service.

(ff) "Basic Service Elements" are optional unbundled features that enhanced service providers may require or find useful in the provision of enhanced services, as defined in Amendments of part 69 of the Commission's Rules relating to the Creation of Access Charge Subelements for Open Network Architecture, Report and Order, 6 FCC Rcd 4524 (1991).

(gg) "End Office" means the telephone company office from which the end user receives exchange service.

(hh) "Serving Wire Center" means the telephone company central office designated by the telephone company to serve the geographic area in which the interexchange carrier or other person's point of demarcation is located.

§ 69.3 Access elements

(a) Each local exchange carrier that is not subject to price cap regulation shall establish access elements as follows:

(1) A Transport access element which includes all rates for services related to the transmission of telecommunications signals between local exchange carrier locations, or between such locations and customer premises. Functions for which charges in this access element may be assessed include all interoffice transport, regardless of whether the transport facility is associated with a switching function; all facilities provided under interstate access tariffs between the local servicing office and a customer's premises; and any features associated with transport such as line conditioning.

(2) A Switching access element which includes all rates for services related to the processing of telecommunications signals at local exchange carrier locations, except for public policy elements. Functions for which charges in this access category may be assessed include switching, data base functions, signaling functions, measurement functions, operator and directory assistance functions, and other appropriate features and functions.

(3) A Common Line access element which includes the following subelement charges:

- (i) End User Common Line charge
- (ii) Special Access Surcharge
- (iii) Carrier Common Line charge
- (iv) Presubscribed Interexchange Carrier charge

(4) An Others access element which includes rates for access services that are not contained in the Transport, Switching or Common Line elements.

(b) As specified in Subparts C and D of this Part, investment and expense shall be assigned to the Transport, Switching, Common Line, and Others access categories for the purpose of developing an annual revenue requirement.

(c) Except as otherwise provided in this Part, Local exchange carriers may introduce subelements and associated charges for access services as appropriate.

§ 69.4 Services excluded from revenue requirement calculations

Local exchange carriers shall exclude from each access element revenue requirement such services or portions of such services as the Commission has designated or may hereafter designate by order, including but not limited to:

- (a) Special Construction services;
- (b) Individual Case Basis charges;
- (c) Services offered through contract-based tariffs.

§ 69.5 Persons to be assessed.

(a) End User charges shall be computed and assessed upon end users, and upon providers of public telephones, as defined in this subpart, and as provided in this Part.

(b) Carrier's carrier charges shall be computed and assessed upon all interexchange carriers that use local exchange switching facilities for the provision of interstate or foreign telecommunications services.

(c) Special access surcharges shall be assessed upon users of exchange facilities that interconnect these facilities with means of interstate or foreign telecommunications to the extent that carrier's carrier charges are not assessed upon such interconnected usage. As an interim measure pending the development of techniques accurately to measure such interconnected use and to assess such charges on a reasonable and non-discriminatory basis, telephone companies shall assess special access surcharges upon the closed ends of private line services and WATS services pursuant to the provisions of § 69.109 of this part.

Subpart B - Computation of Charges for Non-Price Cap ILECs

§ 69.101 General.

Except as provided in § 69.1, charges for each access element shall be computed and assessed as provided in this Subpart.

§ 69.102 End user common line for non-price cap incumbent local exchange carriers.

(a) This section is applicable only to incumbent local exchange carriers that are not subject to price cap regulation. A charge that is expressed in dollars and cents per line per month shall be assessed upon end users that subscribe to local exchange telephone service or Centrex service to the extent they do not pay carrier common line charges. A charge that is expressed in dollars and cents per line per month shall be assessed upon providers of public telephones. Such charge shall be assessed for each line between the premises of an end user, or public telephone location, and a Class 5 office that is or may be used for local exchange service transmissions.

(b) Except as provided in subsections (d) through (i) of this section, the maximum single line rate or charge shall be computed by dividing one-twelfth of the projected annual Common Line revenue requirement by the projected average number of local exchange service subscriber lines in use during such annual period.

(c) The charge for each subscriber line associated with a public telephone shall be equal to the monthly charge computed in accordance with paragraph (b) of this section.

(d) The maximum monthly charge for each residential or single line business local exchange service subscriber line shall be the charge computed in accordance with paragraph (b) of this section, or \$3.50, whichever is lower.

(e) [Reserved]

(f) The charge for each residential local exchange service subscriber line and the charge for each single line business local exchange service subscriber line shall be the same.

(g) A line shall be deemed to be a residential subscriber line if the subscriber pays a rate for such line that is described as a residential rate in the local exchange service tariff.

(h) [Reserved]

(i) A line shall be deemed to be a single line business subscriber line if the subscriber pays a rate that is not described as a residential

rate in the local exchange service tariff and does not obtain more than one such line from a particular telephone company.

(j) No charge shall be assessed for any WATS access line.

(k) The monthly per-line charge for multi-line business subscriber lines will be \$9.00, except that on July 1, 1999, and every year thereafter, this monthly per-line charge will be adjusted to equal the nationwide average monthly multi-line business subscriber line charge for all price cap local exchange carriers on December 31 of the preceding year.

(1) (1) Beginning January 1, 1998, non-price cap local exchange carriers shall assess no more than one end user common line charge as calculated under the applicable method under paragraph (d) of this section for Basic Rate Interface integrated services digital network (ISDN) service.

(2) Local exchange carriers shall assess no more than five end user common line charges as calculated under paragraph (b) of this section for Primary Rate Interface ISDN service.

(m) In the event the local exchange carrier charges less than the maximum end user common line charge for any subscriber lines, the local exchange carrier may not recover the difference between the amount collected and the maximum from carrier common line charges or PICCs.

§ 69.103 Presubscribed interexchange carrier charge (PICC) for non-price cap incumbent local exchange carriers.

(a) A charge expressed in dollars and cents per line may be assessed upon the subscriber's presubscribed interexchange carrier to recover the common line revenues permitted under the rate-of-return rules in this chapter that cannot be recovered through the end user common line charge established under § 69.102.

(b) If an end-user customer does not have a presubscribed interexchange carrier, the local exchange carrier may collect the PICC directly from the end user.

(c) The maximum monthly PICC for residential subscriber lines and single-line business subscriber lines shall be the lower of:

(1) One twelfth of the sum of projected annual common line revenues and residual interconnection charge revenues permitted under our rate-of-return rules divided by the projected average number of local exchange service subscriber lines in use during such annual period, minus the maximum subscriber line charge calculated pursuant to § 69.102(d); or

(2) Until July 1, 1999, the nationwide average monthly PICC for residential subscriber lines and single-line business subscriber lines charged by price-cap local exchange carriers as of July 1, 1998. On July 1, 1999, and every year thereafter, this amount shall be adjusted to be the nationwide average monthly PICC for residential subscriber lines and single-line business subscriber lines charged by price-cap LECs as of December 31 of the preceding year.

(d) To the extent that a non-price cap incumbent local exchange carrier cannot recover its full common line revenues and residual interconnection charge revenues permitted under this chapter through the recovery mechanisms established in §§ 69.102 and 69.103(c), that carrier may assess a PICC on multi-line business subscriber lines.

(1) The maximum monthly PICC for multi-line business lines shall be the lower of:

(i) One twelfth of the projected annual common line and residual interconnection charge permitted under this chapter, less the maximum amounts permitted to be recovered through the recovery mechanisms under §§ 69.102 and 69.103(c), divided by the total number of projected multi-line business subscriber lines in use during such annual period; or

(ii) Until July 31, 1999, the nationwide average monthly PICC for multi-line business subscriber lines charged by price-cap incumbent local exchange carriers as of July 1, 1998. On July 1, 1999, and every year thereafter, this amount shall be adjusted to be the nationwide average monthly PICC for multi-line business subscriber lines charged by price-cap incumbent local exchange carriers as of July 1 of the preceding year.

(e) [Reserved]

(f) (1) Non-price cap incumbent local exchange carriers shall assess no more than one PICC as calculated under the applicable method under paragraph (c) of this section for Basic Rate Interface integrated services digital network (ISDN) service.

(2) Non-price cap incumbent local exchange carriers shall assess no more than five PICCs as calculated under paragraph (d) of this section for Primary Rate Interface ISDN service.

(g) (1) The maximum monthly PICC for Centrex lines shall be one-ninth of the maximum charge determined under paragraph (d) of this section, except that if a Centrex customer has fewer than nine lines, the maximum monthly PICC for those lines shall be the maximum charge determined under paragraph (d) of this section divided by the customer's number of Centrex lines.

(2) In the event the monthly loop costs for a multi-line business line, as defined in § 69.102, exceed the maximum permitted End User Common Line charge, as set in § 69.102, the maximum monthly

PICC for a Centrex line determined under paragraph (g)(1) of this section shall be increased by the difference between the monthly loop costs defined in § 69.102 and the maximum permitted End User Common Line charge set in § 69.102. In no event, however, shall the PICC for a Centrex line exceed the maximum established under paragraph (d) of this section.

(h) If a local exchange carrier receives low income universal service support on behalf of a customer under § 54.403(d) of this chapter, then the local exchange carrier shall not recover a residential PICC from that end-user customer or its presubscribed interexchange carrier. Any amounts recovered under § 54.403(d) of this chapter by the local exchange carrier shall be treated as if they were recovered through the PICC.

§ 69.104 [Reserved]

§ 69.105 Per-minute carrier common line charge.

(a) Non-price cap incumbent local exchange carriers may recover a per-minute carrier common line charge from interexchange carriers, collected on originating access minutes and calculated using the weighing method set forth in paragraph (c) of this section. The maximum such charge shall be the per-minute rate that would recover annual common line revenues permitted less the maximum amounts allowed to be recovered under §§ 69.102 and 69.103; or

(b) To the extent that paragraph (a) of this section does not recover from interexchange carriers all permitted carrier common line revenue, the excess may be collected through a per-minute charge on terminating access calculated using the weighing method set forth in paragraph (c) of this section.

(c) For each Carrier Common Line access element tariff, the premium originating Carrier Common Line charge shall be set at a level that recovers revenues allowed under paragraphs (a) and (b) of this section. The non-premium charges shall be equal to 0.45 multiplied by the premium charges.

(d) For purposes of this section and § 69.108:

(1) A carrier or other person shall be deemed to receive premium access if access is provided through a local exchange switch that has the capability to provide access for an MTS-WATS equivalent service that is substantially equivalent to the access provided for MTS or WATS, except that access provided for an MTS-WATS equivalent service that does not use such capability shall not be deemed to be premium access until six months after the carrier that provides such MTS-WATS equivalent service receives actual notice that such equivalent access is or will be available at such switch;

(2) The term open end of a call describes the origination or termination of a call that utilizes exchange carrier common line plant (a call can have no, one, or two open ends); and

(3) All open end minutes on calls with one open end (e.g., an 800 or FX call) shall be treated as terminating minutes.

§ 69.106 Switching charges.

(a) Charges that are expressed in dollars and cents per access minute of use shall be assessed by local exchange carriers that are not subject to price cap regulation upon all entities that use local exchange carrier switching facilities for the provision of interstate or foreign services.

(b) The charges described in paragraph (a) of this section shall reasonably reflect the costs of switching facilities, and shall recover the projected annual revenue requirement for the Switching element, excluding any local switching support received by the carrier pursuant to § 54.301 of this chapter.

(c) If end users of an interstate or foreign service that uses local switching facilities pay message unit charges for such calls in a particular exchange, a credit shall be deducted from the Switching element charges to such carrier for access service in such exchange.

§ 69.107 Transport charges

(a) Charges that are expressed in dollars and cents per access minute of use and/or are flat-rated shall be assessed by local exchange carriers that are not subject to price cap regulation on all purchasers of transport services or facilities.

(b) Charges shall reasonably reflect the costs of transport services and facilities, and shall recover the projected annual revenue requirement for the Transport element.

§ 69.108 Non-premium charges for MTS-WATS equivalent services.

(a) Charges that are computed in accordance with this section shall be assessed upon interexchange carriers or other persons that receive access that is not deemed to be premium access as this term is defined in § 69.105(d)(1) in lieu of carrier charges that are computed in accordance with §§ 69.105 and 69.110.

(b) The non-premium charge for the Carrier Common Line element shall be computed by multiplying the premium charge for such element by .45.

(c) For telephone companies that are not subject to price cap regulation, the non-premium charge for the Switching element shall be computed by multiplying a hypothetical premium charge for such element by .45. The hypothetical premium charge for such element shall be computed by dividing the annual revenue requirement for such element by the sum of the projected premium access minutes for such period and a number that is computed by multiplying the projected non-premium minutes for such element for such period by .45.

(d) The non-premium charge for any BSEs for switching shall be computed by multiplying the premium charge for the corresponding BSEs by .45.

§ 69.109 Special access surcharges.

(a) Pending the development of techniques accurately to measure usage of exchange facilities that are interconnected by users with means of interstate or foreign telecommunications, a surcharge that is expressed in dollars and cents per line termination per month shall be assessed upon users that subscribe to private line services or WATS services that are not exempt from assessment pursuant to paragraph (d) of this section.

(b) The surcharge for such a period shall be twenty-five dollars (\$25.00) per line termination per month.

(c) A telephone company may propose reasonable and nondiscriminatory end user surcharges, to be filed in its federal access tariffs and to be applied to the use of exchange facilities which are interconnected by users with means of interstate or foreign telecommunication which are not provided by the telephone company, and which are not exempt from assessment pursuant to subsection (d) of this Section. Telephone companies which wish to avail themselves of this option must undertake to use reasonable efforts to identify such means of interstate or foreign telecommunication, and to assess end user surcharges in a reasonable and nondiscriminatory manner.

(d) No special access surcharges shall be assessed for any of the following terminations:

(1) The open end termination in a telephone company switch of an FX line, including CCSA and CCSA-equivalent ONALS;

(2) Any termination of an analog channel that is used for radio or television program transmission;

(3) Any termination of a line that is used for telex service;

(4) Any termination of a line that by nature of its operating characteristics could not make use of common lines; and

(5) Any termination of a line that is subject to carrier usage charges pursuant to this Part.

(6) Any termination of a line that the customer certifies to the exchange carrier is not connected to a PBX or other device capable of interconnecting a local exchange subscriber line with the private line or WATS access line.

§ 69.110 Basic service elements for switched services.

Telephone companies subject to the BOC ONA Order, 4 FCC Rcd 1 (1988) shall, and other telephone companies may, establish approved Basic Service Elements as provided in Amendments of Part 69 of the Commission's rules relating to the Creation of Access Charge Subelements for Open Network Architecture, Report and Order, 6 FCC Rcd 4524 (1991) and 800 data base subelements, as provided in Provision of Access for 800 Service, 8 FCC Rcd 907, CC Docket 86-10, FCC 93-53 (1993).

§ 69.111 Connection charges for expanded interconnection.

(a) Appropriate connection charge subelements shall be established for the use of equipment and facilities that are associated with offerings of expanded interconnection for special access and switched transport services, as defined in part 64, subpart N of this chapter

(b) Charges for subelements associated with physical collocation or virtual collocation, other than the subelements recovering the cost of the virtual collocation equipment described in § 64.1401(e)(1) of this chapter, may reasonably differ in different central offices.

(c) Connection charge subelements shall be computed based upon the costs associated with the equipment and facilities that are included in such subelements, including no more than a just and reasonable portion of the telephone company's overhead costs.

(d) Connection charge subelements shall be assessed upon all interconnectors that use the equipment or facilities that are included in such subelements.

§ 69.112 - 69.129 [Reserved]

§ 69.130 Zone pricing

(a) Local exchange carriers subject to rate-of-return regulation may establish a reasonable number of pricing zones for charges associated with the Transport, Switching, and Common Line elements within each study area that is used for the purposes of jurisdictional separations.

(1) Only one set of density pricing zones shall be established within each study area, to be used for the pricing of access elements pursuant to this section.

(2) Ceilings on SLCs and PICCs as established in §§ 69.102 and 69.103 of this chapter may not be exceeded in any zone within any subject study area; and

(3) Revenue forgone from zone prices for SLCs and PICCs below such ceilings cannot be recovered from universal service funding.

(b) Zone pricing must be revenue-neutral within each study area.

(c) Such a system of pricing zones shall be designed to reasonably reflect cost-related characteristics, such as the density of total interstate traffic in central offices located in the respective zones.

Subpart C - Apportionment of Net Investment

§ 69.201 General.

(a) For purposes of computing annual revenue requirements for the access elements of non-price cap incumbent local exchange carriers, net investment as defined in § 69.2(u), shall be apportioned among the interexchange, billing and collection and access categories as provided in this subpart. For purposes of this subpart, the access category includes the following elements: Common Line, Switching, Transport and Others.

§ 69.202 Net investment.

(a) Investment in Accounts 2001, 1220 and Class B Rural Telephone Bank Stock booked in Account 1402 shall be apportioned among the interexchange category, billing and collection category and the Transport, Switching, and Common Line access elements as provided in this subpart.

(b) Investment in Accounts 2002, 2003 and to the extent such inclusions are allowed by this Commission, Account 2005 shall be apportioned on the basis of the total investment in Account 2001, Telecommunications Plant in Service.

(1) Central office equipment (COE) investment shall be apportioned among the interexchange category and appropriate access elements in the same proportions as total Accounts 2210, 2220 and 2230 COE assets combined;

(2) Cable and wire facilities (C&WF) investment shall be apportioned among the interexchange category and appropriate access elements in the same proportions as total Account 2410 C&WF assets;

(3) General support facilities investment shall be apportioned among the interexchange category, the billing and collection category and appropriate access elements on the basis of General support facilities investment in Account 2110; and

(4) Investment that is not COE, C&WF or General Support Facilities shall be apportioned among the interexchange category, the billing and collection category and appropriate access elements in the same proportions as the associated investment in Account 2001, Telecommunications plant in service.

§ 69.203 Information origination/termination equipment (IOT).

Investment in all other IOT shall be apportioned between the Transport and Common Line elements on the basis of the relative number of equivalent lines in use, as provided herein. Each interstate or foreign Special Access Line, excluding lines designated in § 69.109(d), shall be counted as one or more equivalent lines where channels are of higher than voice bandwidth, and the number of equivalent lines shall equal the number of voice capacity analog or digital channels to which the higher capacity is equivalent. Local exchange subscriber lines shall be multiplied by the interstate Subscriber Plant Factor to determine the number of equivalent local exchange subscriber lines.

§ 69.204 Subscriber line cable and wire facilities.

(a) Investment in local exchange subscriber lines shall be assigned to the Common Line element.

(b) Investment in interstate and foreign private lines and interstate WATS access lines shall be assigned to the Transport element.

§ 69.205 Carrier cable and wire facilities (C&WF).

(a) Carrier C&WF that is not used for "origination" or "termination" as defined in § 69.2 shall be assigned to the interexchange category.

(b) Carrier C&WF, other than WATS access lines, not assigned pursuant to paragraphs (a), or (c) of this section shall be assigned to the Transport element.

(c) Carrier C&WF that is used to provide transmission between the local exchange carrier's signalling transfer point and the local switch shall be assigned to the switching element.

§ 69.206 Central office equipment (COE).

(a) The Separations Manual categories shall be used for purposes of apportioning investment in such equipment except that any central office equipment attributable to local transport shall be assigned to the Transport elements.

(b) COE Category 1 (Operator Systems Equipment) shall be apportioned among the interexchange category and the access elements as follows: Category 1 that is used for intercept services shall be assigned

to the Switching element. Category 1 other than service observation boards, intercept and directory assistance services shall be assigned to the interexchange category. Service observation boards shall be apportioned among the interexchange category, and the Switching and Transport access elements based on the remaining combined investment in COE Category 1, Category 2 and Category 3.

(c) COE Category 2 (Tandem Switching Equipment) that is deemed to be exchange equipment for purposes of the AT&T Consent Decree shall be assigned to the Switching element. COE Category 2 which is associated with the signal transfer point function shall be assigned to the Switching element. All other COE Category 2 shall be assigned to the interexchange category.

(d) COE Category 3 (Local Switching Equipment) shall be assigned to the Switching element except as provided in paragraph (a) of this Section.

(e) COE Category 4 (Circuit Equipment) shall be apportioned among the interexchange category and the Common Line and Transport elements. COE Category 4 shall be apportioned in the same proportions as the associated Cable and Wire Facilities; except that any DS1/voice-grade multiplexer investment associated with analog local switches and assigned to the Transport element by this section shall be reallocated to the switching element.

§ 69.207 General support facilities.

(a) General purpose computer investment used in the provision of the Line Information Database service shall be assigned to the Switching element.

(b) General purpose computer investment used in the provision of the billing name and address service shall be assigned to the Switching element.

(c) For all local exchange carriers not subject to price cap regulation and for other carriers that acquire all of the billing and collection services that they provide to interexchange carriers from unregulated affiliates through affiliate transactions, from unaffiliated third parties, or from both of these sources, all other General Support Facilities investments shall be apportioned among the interexchange category, the billing and collection category, and Common Line, Switching, and Transport elements on the basis of Central Office Equipment, Information Origination/Termination Equipment, and Cable and Wire Facilities, combined.

§ 69.208 Other investment.

Investment that is not apportioned pursuant to the foregoing paragraphs shall be apportioned among the interexchange category, the billing and collection category and the Transport, Switching, and Common Line elements in the same proportions as the combined investment that is apportioned pursuant to §§ 69.203 through 69.207.

§ 69.209 Capital leases.

Capital Leases in Account 2680 shall be directly assigned to the appropriate interexchange category or Transport, Switching, and Common Line elements consistent with the treatment prescribed for similar plant costs or shall be apportioned in the same manner as Account 2001.

Subpart D - Apportionment of Expenses

§ 69.301 Direct expenses.

(a) Plant Specific Operations Expenses in Accounts 6110 and 6120 shall be apportioned among the interexchange category, the billing and collection category and the Transport, Switching, and Common Line elements on the following basis:

(1) Account 6110 - Apportion on the basis of other investment apportioned pursuant to § 69.208.

(2) Account 6120 - Apportion on the basis of General and Support Facilities investment pursuant to § 69.207.

(b) Plant Specific Operations Expenses in Accounts 6210, 6220, and 6230, shall be apportioned among the interexchange category and Transport, Switching, and Common Line elements on the basis of the apportionment of the investment in Accounts 2210, 2220, and 2230, respectively.

(c) Plant Specific Operations Expenses in Accounts 6310 and 6410 shall be assigned to the appropriate investment category and shall be apportioned among the interexchange category and the Transport, Switching, and Common Line elements in the same proportions as the total associated investment.

(d) Plant Non Specific Operations Expenses in Accounts 6510 and 6530 shall be apportioned among the interexchange category, the billing and collection category, and the Transport, Switching, and Common Line elements in the same proportions as the combined investment in COE, IOT, and C&WF apportioned to each element and category.

(e) Plant Non Specific Operations Expenses in Account 6540 shall be assigned to the interexchange category.

(f) Plant Non Specific Operations Expenses in Account 6560 shall be apportioned among the interexchange category, the billing and collection category, and the Transport, Switching, and Common Line elements in the same proportion as the associated investment.

(g) Amortization of embedded customer premises wiring investment shall be deemed to be associated with § 69.203(b) IOT investment for purposes of the apportionment described in paragraph (c) of this Section.

§ 69.302 Operating taxes (Account 7200).

(a) Federal income taxes, state and local income taxes, and state and local gross receipts or gross earnings taxes that are collected in lieu of a corporate income tax shall be apportioned among the interexchange category, the billing and collection category and the Transport, Switching, and Common Line elements based on the approximate net taxable income on which the tax is levied (positive or negative) applicable to each element and category.

(b) All other operating taxes shall be apportioned among the interexchange category, the billing and collection category and the Transport, Switching, and Common Line elements in the same manner as the investment apportioned to each element and category pursuant to § 69.208 Other Investment.

§ 69.303 Marketing expense (Account 6610).

Marketing expense shall be apportioned among the interexchange category and the Transport, Switching, and Common Line elements in the same proportions as the combined investment that is apportioned pursuant to § 69.208.

§ 69.304 Telephone operator services expenses in Account 6620.

Telephone Operator Services expenses shall be apportioned among the interexchange category, and the Switching element based on the relative number of weighted standard work seconds. For those companies who contract with another company for the provision of these services, the expenses incurred shall be directly assigned among the interexchange category and the Switching element on the basis of the bill rendered for the services provided.

§ 69.305 Published directory expenses in Account 6620.

Published Directory expenses shall be assigned to the Switching element.

§ 69.306 Local business office expenses in Account 6620.

(a) Local business office expense shall be assigned as follows:

(1) End user service order processing expenses attributable to presubscription shall be apportioned among the Common Line,

Switching, and Transport elements in the same proportion as the investment apportioned to those elements pursuant to § 69.208.

(2) End user service order processing, payment and collection, and billing inquiry expenses attributable to the company's own interstate private line and special access service shall be assigned to the Transport element.

(3) End user service order processing, payment and collection, and billing inquiry expenses attributable to interstate private line service offered by an interexchange carrier shall be assigned to the billing and collection category.

(4) End user service order processing, payment and collection, and billing inquiry expenses attributable to the company's own interstate message toll service shall be assigned to the interexchange category. End user service order processing, payment and collection, and billing inquiry expenses attributable to interstate message toll service offered by an interexchange carrier shall be assigned to the billing and collection category. End user payment and collection and billing inquiry expenses attributable to End User Common Line access billing shall be assigned to the Common Line element.

(5) End user service order processing, payment and collection, and billing inquiry expenses attributable to TWX service shall be assigned to the Transport element.

(6) Interexchange carrier service order processing, payment and collection, and billing inquiry expenses attributable to private lines and special access shall be assigned to the Transport element.

(7) Interexchange carrier service order processing, payment and collection, and billing inquiry expenses attributable to interstate switched access and message toll, shall be apportioned among the Common Line, Switching and Transport elements in the same proportion as the investment apportioned to those elements pursuant to § 69.208.

(8) Interexchange carrier service order processing, payment and collection, and billing inquiry expenses attributable to billing and collection service shall be assigned to the billing and collection category.

§ 69.307 Revenue accounting expenses in Account 6620.

(a) Revenue accounting expenses that are attributable to End User Common Line access billings shall be assigned to the Common Line element.

(b) Revenue accounting expenses that are attributable to carrier's carrier access billing and collecting expense other than identified in paragraph (a), shall be apportioned among the Transport and Switching elements in the same proportion as the combined investment in COE, C&WF and IOT apportioned to those elements.

(c) All other Revenue Accounting Expenses shall be assigned to the billing and collection category.

§ 69.308 All other customer services expense in Account 6620.

All other customer services expenses shall be apportioned among the 'Interexchange category, the billing and collection category and the Transport, Switching, and Common Line elements based on the combined expenses in § 69.404 through § 69.407.

§ 69.309 Corporate operations expenses (Accounts 6710 and 6720).

All Corporate Operations Expenses shall be apportioned among the interexchange category, the billing and collection category and the Transport, Switching, and Common Line elements in accordance with the Big 3 Expense Factor as defined in § 69.2.

§ 69.310 Other expense.

Except as provided in § 69.311, expenses that are not apportioned pursuant to §§ 69.301 through 69.309 shall be apportioned among the interexchange category and the Transport, Switching, and Common Line elements in the same manner as § 69.208 Other investment.

§ 69.311 Non participating company payments/receipts.

For ILECs that are not association Common Line tariff participants, the payment or receipt of funds described in Part 54 shall be apportioned, respectively, as an addition to or a deduction from their common line revenue requirement.

Subpart E - Exchange Carrier Association

§ 69.401 Definitions.

High Cost and Low Income Committee. The term "High Cost and Low Income Committee" shall refer to a committee of the Board of Directors of the Administrator's independent subsidiary that will have the power and authority to bind the independent subsidiary's Board of Directors on issues relating to the administration of the high cost and low-income support mechanisms, as described in § Part 54.

Rural Health Care Corporation. The term "Rural Health Care Corporation" shall refer to the corporation created pursuant to Part 54 that shall administer specified portions of the universal service support mechanisms, as described in Part 54.

Schools and Libraries Corporation. The term "Schools and Libraries Corporation" shall refer to the corporation created pursuant to Part 54 that shall administer specified portions of the universal service support mechanisms, as described in Part 54.

§ 69.402 Exchange carrier association.

(a) An association shall be established in order to prepare and file access charge tariffs on behalf of all telephone companies that do not file separate tariffs or concur in a joint access tariff of another telephone company for all access elements.

(b) All telephone companies that participate in the distribution of Carrier Common Line revenue requirement, pay long term support to association Common Line tariff participants, or receive payments from the transitional support fund administered by the association shall be deemed to be members of the Association.

(c) All data submissions to the association required by this Title shall be accompanied by the following certification statement signed by the officer or employee responsible for the overall preparation for the data submission:

CERTIFICATION

I am (title of certifying officer or employee). I hereby certify that I have overall responsibility for the preparation of all data in the attached data submission for (name of carrier) and that I am authorized to execute this certification. Based on information known to me or provided to me by employees responsible for the preparation of the data in this submission, I hereby certify that the data have been examined and reviewed and are complete, accurate, and consistent with the rules of the Federal Communications Commission.

Date:

Name:

Title:

(Persons making willful false statements in this data submission can be punished by fine or imprisonment under the provisions of the U.S. Code, Title 18, Section 1001).

§ 69.403 Board of directors.

(a) For purposes of this Section, the association membership shall be divided into three subsets:

(1) The first subset shall consist of the telephone companies owned and operated by the seven Regional Bell Holding Companies;

(2) The second subset shall consist of all other telephone companies with annual operating revenues in excess of forty million dollars;

(3) The third subset shall consist of all other telephone companies. All commonly controlled companies shall be deemed to be one company for purposes of this Section.

(b) There shall be fifteen directors of the association.

(c) Until 1996, three directors shall represent the first subset, three directors shall represent the second subset, and nine directors shall represent the third subset. In 1996 and thereafter, two directors shall represent the first subset, two directors shall represent the second

subset, six directors shall represent the third subset, and five directors shall represent all three subsets.

(d) No director who represents all three subsets shall be a current or former officer or employee of the association or of any association member, or have a business relationship or other interest that could interfere with his or her exercise of independent judgment.

(e) Each subset shall select the directors who will represent it individually through an annual election in which each member of the subset shall be entitled to vote for the number of directors that will represent such member's subset.

(f) The association membership shall select the directors for the following calendar year who will represent all three subsets through an annual election in which each member of the association shall be entitled to one vote for each director position. There shall be at least two candidates meeting the qualifications in paragraph (d) of this section for each such director position:

(1) in any election in which the most recently elected director for such position is not a qualified candidate;

(2) if there has been no election for such position having more than one qualified candidate during the present and the two preceding calendar years; and

(3) in any election for which the ballot lists two or more qualified candidates.

(g) At least one director representing all three subsets shall be a member of each committee of association directors.

(h) For each access element or group of access elements for which voluntary pooling is permitted, there shall be a committee that is responsible for the preparation of charges for the associated access elements that comply with all applicable sections in this Part.

(i) Directors shall serve for a term of one year commencing January 1 and concluding on December 31 of each year.

§ 69.404 Association functions.

(a) The association shall not engage in any activity that is not related to the preparation of access charge tariffs or the collection and distribution of access charge revenues or the operation of a billing and collection pool on an untariffed basis unless such activity is expressly authorized by order of the Commission.